

## MINUTE

Meeting of: Scottish Futures Trust Limited - Board

Date & Time: Tuesday 26 June 2018, 3.40pm

Place: Boroughmuir High School, 111 Viewforth, Edinburgh, EH11 1FL

Present: Ian Russell, Chair (IR)  
Carolyn Dwyer (CD)  
Fiona Mackenzie (FM)  
Ann Faulds (AF)  
Graham Watson (GW)  
Peter Reekie (PR)

Apologies: none

In attendance: Liz Petrie (LP) minutes  
Viv Cockburn (VC)  
Kerry Alexander (KA)  
Tony Rose (TR)

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### **1 APOLOGIES AND REGISTER OF DIRECTORS' INTERESTS**

There were no apologies.

Following the Board's decision in May to invite members of the Leadership Team to attend Board meetings, IR welcomed KA, VC and TR to the meeting,

### **2 MINUTE OF PREVIOUS MEETING AND MATTERS ARISING**

The minute of the meeting of the Board of Directors of 8 May 2018 was agreed as being a correct record.

GW requested that the Board be advised of the results of the review of any remaining GDPR non-compliant supplier contracts at the end of July 2018.

*Board to be notified of supplier contract compliance with GDPR at the end of July.*

### **3 ACTION TRACKER**

The actions were reviewed, agreed and timescales for ongoing actions noted.

### **4 CHIEF EXECUTIVE'S REPORT**

The Board noted the Chief Executive's Report.

### **Business objectives progress**

PR introduced the revised format of reporting against business plan objectives and the Board noted the business management summary and examples of business management reports which will be compiled for each objective to form the basis of the summary report.

The Board discussed the format and content of the summary report.

The Board noted the RAG status for the 42 business plan objectives, with one completed and one highlighted as 'amber'.

PR advised that objective 11 in the business plan envisages providing support to two pathfinder projects for improving public sector capacity on managing major projects but pathfinders have yet to be identified. PR advised that the search for appropriate projects is being escalated around the business. The Board noted the position and asked that future reports include a description of corrective actions being undertaken to reduce the risks and issues highlighted in this section of the report.

*Mitigation measures to be added to commentaries on emerging concerns and issues in future reports.*

The Board noted and discussed emerging concerns on areas of work on embedding BIM across the public sector (objective 13) and some low carbon capital transformation projects failing to meet grant conditions and deadlines (objective 34) although there remains confidence that the wider objective will be achieved.

### **Areas of opportunity / growth**

The Board noted the update on activities in the four development areas identified in the business plan.

The Board was advised that the development area of planning is to be led by TR. Seven work streams have now been agreed where the Company will lead work with Scottish Government's Planning and Architecture Division.

The Board noted the range of activities being undertaken. It was highlighted that work undertaken on unlocking developments would continue under this work stream to further explore how to overcome barriers to delivery and activate development sites. It was noted that this work would feed into existing work streams including education potentially looking at new approaches to schools provision.

PR advised that the scope of SFT and Scottish Government activity in investment prioritisation remains under discussion with Scottish Government.

It was noted that discussions continue with Scottish Government officials on the deployment and management of the Building Scotland Fund and proposals made for opportunities for investment. It was noted that further consideration of the interaction between the Company and the Scottish National Investment Bank would be scheduled for the strategy day.

PR outlined opportunities for development in project delivery and discussion took place on the possible roles played in this area by a Scottish National Infrastructure Company.

It was noted that as objectives within these development areas are determined, and resource allocated, they will be added to the business plan objectives and tracked through the year with the existing objectives.

#### **Areas of risk / reduction**

PR advised that the scope of ongoing engagement in the Early Learning and Childcare programme has been agreed and will focus on the infrastructure element as the programme moves fully into delivery phase.

#### **NPD review**

It was noted that there has been no contact from Audit Scotland on the performance audit of the NPD programme which is scheduled in their work programme for 2018-19.

#### **People**

The Board noted the update on performance management and employee opinion survey action plan. PR advised that a fuller update on actions arising from the survey would be given at the October board meeting.

The Board noted and discussed the report on the Company's gender pay gap. It was noted that SFT is not required to publish its gender pay gap.

The Board was advised that the main reason for the gap is role segregation with an exclusively female business support team and a predominantly male senior associate director group, although the leadership team is well balanced. The Board noted the actions being implemented to try to reduce the gap. The Board considered that the proposed measures would only achieve change in the long term. It was agreed that the statistics should be published in the Annual Report from next year.

#### **Engagement**

The Board noted the update on recent and planned communications activity, including a digest of the CEO's recent engagement with key stakeholders in this formative stage of the corporate planning process. Discussion took place on the breadth of engagement and noted that in the previous and coming period PR and other senior staff would be meeting with a range of stakeholder groups not represented in the current listing.

#### **Investment portfolio**

It was noted that an update report had been provided in a separate meeting of the Board of Scottish Futures Trust Investments Ltd which had taken place immediately prior to the SFT Board meeting.

## **Finance report**

The Board noted the finance report and VC tabled the Scottish Government Grant letter of 21 June which confirmed the grant due of just over £9m in line with the Business Plan as well as Financial Transactions (repayable grant) of £2.17m and £2.4m Annually Managed Expenditure provision. VC advised that the grant figure covers both core and ring-fenced budget.

The Board noted that the outturn for the first two months of the year is on track for the projected outturn for the first quarter. The Board requested that a report on the Quarter 1 financial position be circulated prior to the next board meeting.

*VC to circulate Quarter 1 finance report to Board in July.*

The Board noted that the VAT review has been completed and no action is being taken.

## **5 REPORT FROM CHAIRMAN OF THE AUDIT COMMITTEE**

The Board noted that a meeting of the Group Audit Committee had taken place prior to the Board meeting. The Board noted and approved the following recommendations from the Committee:

The Board approved the revised Schedule of Delegation as set out in the Internal Controls and Financial Procedures Manual otherwise approved by the Committee.

The Board approved the recommended revision to the expenses policy giving Senior Associate Directors authority to sign off expenses.

The Board approved the amendment to the Accounting Policy applied to Financial Transactions Funding to declassify it as a loan within the scope of International Financial Reporting Standard 9 and for it to be treated as Repayable Grant under International Accounting Standard 20.

## **6 BENEFITS REPORTING 2017-18**

TR tabled a report on the work that has been undertaken in reviewing how to capture and report on the wider impact of SFT activity, beyond the financial benefits figure currently used.

TR advised that following the work carried out by Rocket Science reported to the Board in January 2018, several methodologies have been reviewed and the balanced scorecard approach is considered to be the most appropriate. TR advised that this approach allowed for both qualitative and quantitative benefits to be captured, embraced benefits across the business rather than work stream specific and included both external and internal factors.

The Board noted the six areas recommended for evaluation, namely

- Financial savings
- Corporate

- Organisational efficiency
- Communities
- Wider economy
- Environment

The Board noted and discussed the range of measures and impacts within each of the six areas.

The Board considered that covering all the impacts in each area would be overly onerous on resource and asked that the further work on defining new measures should be concentrated on the three areas of Wider economy, Communities and Environment, most closely reflective of benefits related to inclusive economic growth.

The Board agreed that the financial savings reporting should continue under the current methodology and that the wider benefits captured need not be monetised. It was agreed that organisational/corporate benefits should not be included in the balanced scorecard reporting.

The Board discussed the timing of the introduction of the new methodology. It was noted that it is proposed that the new methodology be introduced for the commencement of the new corporate plan, reporting on the financial year 2019/20. TR advised it is proposed that a shadow process be introduced for benefits generated in the current financial year 2018/19 and that a small number of impacts may be piloted for inclusion in 2017/18 reporting. The Board agreed that pilot examples should be introduced if resource allowed and otherwise agreed the proposed timing for the introduction of the new methodology.

The Board noted that engagement with Scottish Government will be undertaken on recognising the wider impacts of the Company's work in addition to the current financial benefit target.

VC tabled a report comparing the expenditure by work stream to financial benefits generated by work stream for the financial year 2017/18. The comparison was noted.

## **7 CORPORATE UPDATE**

### **Health and Safety**

The Board noted the annual Health and Safety Report. It was noted that there were no incidents or near misses since the last report. PR advised business continuity and emergency planning had been reviewed in the year following the requirement to close the office due to adverse weather in March 2018.

## **8 CORPORATE PLANNING**

The Board noted the report outlining work undertaken on the corporate plan since the last Board meeting and issues emerging from that work.

The Company's scope of activity was discussed. It was noted that the Company currently operates across infrastructure sectors but does not undertake the same range of activities across sectors.

PR highlighted nine core roles that the Company fulfils independent of sector which have been shared with Scottish Government and are being used to support discussion and consideration of the breadth and scope of the Company's work in future.

The Board discussed the scope of current activity and options for potential future activities ranging from being increasingly focussed on engagement around innovative financing and delivery through to expanding the scope to apply the roles across all sectors.

It was noted that the Leadership Team is developing scenarios to illustrate these high-level propositions to understand the potential value and resource implications. The Board encouraged the team to be ambitious.

The Board noted the proposed structure for the strategy day on 20 August.

## **9 AOB**

The Board discussed the wider context in which the Company is operating and the corporate plan is being developed including the advances in digital technologies.

An update was given on the exploratory work being undertaken on moving office premises. It was noted that a business case would require to be submitted to Scottish Government prior to the next Board meeting and the Board asked to be kept advised of progress.

IR provided an update on the progress of recruitment of non-executive directors, noting the deadline for application in July.

It was agreed that the strategy day be moved to 3 September, subject to all Board members being able to attend.